

EXHIBIT D

**PHILIP MORRIS & CO. LTD., INCORPORATED**  
and its Wholly Owned Subsidiary

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**CONSOLIDATED FINANCIAL STATEMENTS**

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March 31, 1941

1002330446

New York, N. Y.  
June 18, 1941

To the Stockholders of  
*PHILIP MORRIS & CO. LTD., Incorporated:*

The Consolidated Balance Sheet of your Company as of March 31, 1941, and its Consolidated Income Statement for the fiscal year ended on that date, are submitted herewith.

Consolidated net earnings for the year were \$7,360,668.92 as compared with consolidated net earnings of \$7,435,766.07 for the previous fiscal year. This decrease is many times accounted for by the increase in Federal Income and Excess Profit Taxes alone, which rose over \$1,000,000.00.

You will note that your Company is in a very liquid financial position, which is due primarily to the issuance of 148,991 shares of 4¼% Preferred Stock in March of this year, the proceeds of which were used to pay off bank loans amounting to \$11,800,000.00, the balance being added to the general funds of the corporation.

Our continued growth is due in part to the active support of Philip Morris Brands by our Stockholders and their friends, which is an invaluable aid. Let me urge, therefore, whenever the opportunity occurs that you not only "CALL FOR PHILIP MORRIS", but also try for yourself and recommend some of our other principal brands, among which are:

MARLBORO Cigarettes  
ENGLISH OVAL Cigarettes  
REVELATION Smoking Tobacco  
BOND STREET Smoking Tobacco.

Faithfully yours,

O. H. CHALKLEY,  
*President.*

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**CO LTD., INCORPORATED (Virginia)**  
 its wholly Owned subsidiary  
**S & COMPANY, LIMITED (England)**  
**BALANCE SHEET, March 31, 1941**

		<b>LIABILITIES:</b>	
23,871.97	Bank loan to subsidiary		\$ 52,325.00
	Accounts payable:		
	Trade creditors	\$ 1,001,055.00	
	Dividends payable:		
71,610.33	On Cumulative Preferred Stock, payable May 1, 1941	\$ 79,710.19	
	On Common Stock, payable April 15, 1941	2,458,408.50	2,538,116.69
	Others	108,007.45	3,707,779.20
	Provision for taxes, additional compensation, advertising, redemption of premium certificates and coupons, etc.		4,258,178.46
	Total current liabilities		8,018,282.66
		<b>CAPITAL:</b>	
6,749.19	Capital stock:		
2,231.49	Cumulative Preferred Stock, par value \$100 per share:		
	Authorized 200,000 shares; issued and outstanding 148,991 shares, 4 1/4% Series (Note 3)	14,899,100.00	
4,489.84	Common Stock, par value \$10 per share:		
3,791.73	Authorized 1,000,000 shares; issued and outstanding 694,010 shares, of which 276,000 shares were originally issued for \$4 per share (Note 4)	7,284,100.00	22,183,200.00
8.3	Surplus:		
	Capital	10,570,164.51	
8,674.69	Earned, of which approximately \$11,037,000 is not available for payment of dividends on Common Stock under terms of issue of Cumulative Preferred Stock	13,943,674.64	24,513,839.15
7,834.56			46,697,039.15
5,321.81			\$54,715,321.81

lated into U. S. dollars and included in this balance sheet, were \$152,547.50 and \$252,730.12, respectively by the parent company. Operations of the subsidiary for the year ended March 31, 1941 re-

ish" leaf tobacco of approximately \$493,000 (exclusive of duty when withdrawn from bond and costs been made. The company is responsible for payment on these commitments without regard to losses

origin to this country amounted to approximately \$916,000 of which approximately \$420,000 was included in inventories at that date. conditions, the maximum amount of which reported losses is believed to be not in excess of \$340,000 fine and war risk insurance, and it is the company's belief that the claims in such connection will

r share on or before April 1, 1944, and thereafter at diminishing amounts (not less than \$102.50 per Preferred Stock are entitled to the redemption prices upon voluntary liquidation and to \$100 per

as 44 shares to be issued upon surrender of scrip certificates issued in connection with conversions of shares now outstanding). There are reserved 95 shares of Common Stock for exchange of 100 Common Stock. or at ended 1939, in an indeterminate amount not in excess of \$143,000 plus interest. n l n made balance sheet therefor.

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**CONSOLIDATED STATEMENT OF INCOME**  
for the year ended March 31, 1941

Net sales		\$87,352,065.31
Cost of sales		<u>67,714,479.92</u>
Gross profit from operations		19,637,585.39
Shipping, selling, general and administrative expenses		<u>9,221,739.11</u>
Net profit from operations		10,415,846.28
Add:		
Dividends received	\$ 99,465.47	
Other income	<u>61,669.46</u>	161,134.93
		<u>10,576,981.21</u>
Deduct:		
Interest paid	104,484.77	
Provision for additional compensation to officers and employees, in accordance with authorization of stockholders at meeting of July 20, 1937	<u>489,344.33</u>	<u>593,829.10</u>
Net income, before provision for federal taxes on income		9,983,152.11
Provision for federal taxes on income (including \$187,404.83 for excess profits tax, computed on basis of Second Revenue Act of 1940 as amended March 8, 1941)		<u>2,622,483.19</u>
Net income for the year		<u><u>\$ 7,360,668.92</u></u>

NOTE: Provision for depreciation amounted to \$384,663.22 in the year ended March 31, 1941.

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## CONSOLIDATED STATEMENT OF EARNED SURPLUS for the year ended March 31, 1941

Balance, March 31, 1940		\$11,138,991.91
Add, Net income for the year ended March 31, 1941		7,360,668.92
		<u>18,499,660.83</u>
Deduct:		
Cash dividends declared:		
On 5% Convertible Cumulative Preferred Stock, Series A	\$ 5,213.75	
On Cumulative Preferred Stock, 4¼% Series	79,710.19	
On Common Stock	4,464,327.25	\$4,549,251.19
44 full shares of Common Stock issued in exchange for 88 Common Stock Dividend Scrip Certificates, Series A, which certificates were issued in connection with stock dividend paid November 15, 1938, at par value		440.00
Premium on 740 shares of 5% Convertible Cumulative Preferred Stock, Series A, redeemed	6,295.00	4,555,986.19
		<u>\$13,943,674.64</u>
Balance, March 31, 1941		

## CONSOLIDATED STATEMENT OF CAPITAL SURPLUS for the year ended March 31, 1941

Balance, March 31, 1940	\$10,439,989.30
Add, Excess of par value of 7,713 shares of 5% Convertible Cumulative Preferred Stock, Series A, converted into Common Stock over par value of Common Stock issued therefor	655,605.00
	<u>11,095,594.30</u>
Deduct, Underwriting commissions and expenses in connection with issuance of Cumulative Preferred Stock, 4¼% Series	525,429.79
	<u>\$10,570,164.51</u>
Balance, March 31, 1941	

*To the Board of Directors of Philip Morris & Co. Ltd., Incorporated:*

We have examined the consolidated balance sheet of PHILIP MORRIS & CO. LTD., INCORPORATED (Virginia) and its wholly owned subsidiary, Philip Morris & Company, Limited (England), as of March 31, 1941, and the consolidated statements of income and surplus for the fiscal year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate.

In our opinion, the accompanying balance sheet and related statements of income and surplus present fairly the consolidated position of the company and its English subsidiary at March 31, 1941, and the consolidated results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

LYBRAND, ROSS BROS. & MONTGOMERY.

New York, June 4, 1941.

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## DIRECTORS

J. E. ARCHBELL	A. E. LYON
GEO. P. BRAUBURGER	H. E. RIDDELL
O. H. CHALKLEY	K. H. ROCKEY
L. G. HANSON	W. B. RYAN, JR.
J. J. SWITZER	

## OFFICERS

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A. E. LYON.....	First Vice-President
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T. F. GANNON.....	Vice-President
W. H. HATCHER.....	Vice-President
W. E. LIEBETRAU.....	Vice-President
J. J. SWITZER.....	Vice-President
L. G. HANSON.....	Secretary Treasurer
W. S. ROULHAC.....	{ Assistant Secretary { Assistant Treasurer

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